



Report and Accounts

FOR THE YEAR ENDED

31st MARCH

1963

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BOOTS PURE DRUG COMPANY LIMITED

BOOTS PURE DRUG COMPANY LIMITED

**Notice of Annual Ordinary
General Meeting**

NOTICE IS HEREBY GIVEN that the ANNUAL ORDINARY GENERAL MEETING of Boots Pure Drug Company Limited will be held at Boots Works Canteen, Beeston, on Thursday, the 18th day of July, 1963, at 12 o'clock noon.

The business of the meeting will be:

- (a) To receive the Directors' Report and Statement of Accounts and the Auditors' Report thereon.
- (b) To declare a Dividend.
- (c) To elect Directors.
- (d) To fix the remuneration of the Auditors.
- (e) To transact any other business which may be dealt with at the Annual General Meeting.

Any member entitled to attend and vote at the above mentioned meeting is entitled to appoint one or more proxies (who need not be members) to attend and vote in his stead.

Dated this 20th day of June, 1963.

By Order of the Board,
H. T. MILNES,
Secretary.

Only the holders of 7% 'A' Preference shares or Ordinary shares, or their Proxies, are entitled to attend the Meeting.

BOOTS PURE DRUG COMPANY LIMITED

Report and Accounts

FOR THE YEAR ENDED 31st MARCH 1963

Directors and Officers

Chairman	W. R. NORMAN.
Deputy Chairman	THE RT. HON. THE EARL OF SELBORNE, P.C., C.H.
Managing Director	F. A. COCKFIELD.
Deputy Managing Director	K. D. WILLIAMSON.
	THE RT. HON. LORD COLERAINE, P.C.
	R. C. M. DICKSON, M.P.S.
	K. H. HARPER, M.P.S.
	G. I. HOBDAY.
	SIR JAMES PITMAN, K.B.E., M.P.
Secretary	H. T. MILNES.
Registered Office	37 STATION STREET, NOTTINGHAM
Bankers	NATIONAL PROVINCIAL BANK LTD.
Auditors	PEAT, MARWICK, MITCHELL & CO. Chartered Accountants, Birmingham

BOOTS PURE DRUG COMPANY LIMITED

Report of the Directors

The Directors submit their Seventy-fifth Annual Report to the Shareholders, together with the Audited Accounts for the year ended 31st March, 1963.

The Consolidated Profit and Loss Account shows the earnings of the Group which amount before tax to £9,645,007 compared with £9,270,516 for the previous year and after tax amount to £4,601,459 as against £4,340,204. The Net Profits of Boots Pure Drug Company Limited amount to £3,819,634 compared with £3,466,473.

The Directors recommend the payment of a Final Dividend of 9%, less tax, to Ordinary Shareholders on the register on 27th May, 1963. This together with the Interim Dividend already paid makes a total of 13%, less tax, for the year.

The details of Dividends paid and recommended, together with Appropriations made by the Directors, are shown in the Profit and Loss and Appropriation Account.

The Rt. Hon. Lord Coleraine, P.C., retires by rotation and offers himself for re-election. The Rt. Hon. The Earl of Selborne, P.C., C.H., who has attained the age of 70 years, retires and offers himself for re-election.

The Auditors, Messrs. Peat, Marwick, Mitchell & Co., have intimated their willingness to continue in office and a resolution as to their remuneration will be proposed.

The Directors gratefully acknowledge the vital part played by the staff in bringing about these results.

By Order of the Board
H. T. MILNES, Secretary

20th June, 1963

Statement by the Chairman

MR. WILLOUGHBY R. NORMAN

After the Directors' Report, which gives the profit position in summary, the main interest of the majority of shareholders is probably in the Chairman's Statement and so this year for the first time it is printed immediately following that Report.

Sales

The year began with high hopes for a rise in the level of consumer spending but it was soon clear that money was less freely available and our sales were accordingly showing only a modest increase. Nevertheless we had quite a good Christmas, which is an important part of the year's trading.

Retail trade for the country as a whole accounts for one half of total personal spending and our retail business reflects closely the general level of prosperity. The growth of the economy was not resumed as anticipated and rising unemployment, stagnant output, poor export results, the breakdown of the Common Market negotiations, and the Arctic weather with what it entails in the way of cost and nuisance, all cast their shadow.

Against this rather depressing background I think that our retail sales increase of 4.2%, including as it does retail sales alone of more than £100 million for the first time, is not unsatisfactory. Not surprisingly traditional chemist business, which includes, quite apart from dispensing, the sale of medicines and household remedies, surgical, toilet, photographic, and farms and gardens merchandise, has gone ahead faster than business in other departments which include a high proportion of gift merchandise.

Wholesale sales, both at home and abroad, showed a smaller increase, but sales by our overseas subsidiaries were substantially up, making total sales for the Group as a whole to outside customers £111 million, also an increase of 4.2% compared with last year.

Profits and Dividend

Profit for the Group before tax increased by £374,491 or 4% to £9,645,007, whilst after tax the profit shows an increase over last year of £261,255 or 6% to £4,601,459, and the Directors are recommending a final dividend of 9% making a total of 13% for the year, which is an increase of 1% over last year.

There is little in the accounts to which I need draw your attention. Retained profits plus depreciation produce a cash flow of virtually £4½m. and this is sufficient to enable us to finance our planned capital expenditure from internal sources.

The stock investment position too is very satisfactory and the average stock held throughout the year was less than in 1961/62 in spite of another £4½m. worth of sales. The rate of stock turnover was the highest ever achieved.

Purchase Tax

During the year two important reductions were made in purchase tax, in the April Budget of 1962 and again in January of this year. As prices need to be reduced on goods in the branches and tax on them has already been paid, the Company inevitably suffers a considerable loss, which this year exceeded £250,000. The effect of these successive reductions is that the maximum rate of tax, which applies for example to cosmetics and a wide range of beauty preparations, now stands at 25% compared with a figure of 90% a few years ago.

The purchase tax was originally a war time tax and the penal rates imposed were designed to discourage the consumption of anything but the necessities of life. It is surprising that the tax should have survived in this form for seventeen years after the end of the war and it has undoubtedly acted as a considerable handicap on a business such as our own which sells a wide range of merchandise in the toilet and gift fields. The reduction in the maximum rate to a more reasonable level with the consequential reduction in the discrimination between one kind of merchandise and another will undoubtedly be of long term benefit to the business, and despite the loss we have suffered on our stocks we welcome this development. It has resulted directly in a reduction in the prices of a wide range of toilet goods and we are already seeing the benefit of this in our sales.

National Health Service

The 2/- per item prescription charge which the public is called upon to pay continues to have a restraining effect upon dispensing business. As a result, there has been only a small increase in the number of prescriptions dispensed during the year.

There is increasing evidence that prescriptions written by doctors are not being presented for dispensing, particularly where several items are ordered on one prescription and where charges of, say, up to 10/- may be payable. Although the machinery exists for Old Age Pensioners of limited means to recover these charges, reports from our branches indicate that many do not do so.

During the year we have felt the full effect of the reduced rates of remuneration for dispensing imposed by the Minister of Health in November 1961. This has compelled us to terminate the Night Service at two more of our ten Day and Night branches and I am afraid that others will follow suit. With the severe cut in the rate of remuneration, it is becoming increasingly difficult to provide any facilities in addition to the standard service. It is to be hoped that the Minister

of Health in his forthcoming review of dispensing costs will realise that the inevitable result of reducing the remuneration below an economic level is that in the long run the patient suffers.

New Products Division

We have formed a New Products Division with the responsibility of directing and co-ordinating our efforts in the development of new products bearing our own name and on the improvement of existing products. The Division, which works in close collaboration with the Research Department and the Sales Departments at home and abroad, will ensure that new ideas and new discoveries are translated as quickly as possible into products for sale. This is of great importance both from the point of view of our retail and of our manufacturing business. Special problems arise, of course, in the case of new medical products, and the time taken for such products to reach the market is usually dictated by the long and expensive toxicity and clinical evaluation studies which are necessary before any new drug can be released for sale. In this regard we welcome the move made recently by the Minister of Health to appoint a committee on the safety of drugs and we trust that the machinery being set up will help the drug manufacturers in this most difficult but extremely important part of their activities.

Manufacture

The new general-purpose manufacturing plant in our Nottingham Chemical Works has been completed and is about to be commissioned. The enlarged and greatly improved potassium permanganate plant built in collaboration with the Ketjen Organisation of the Netherlands, to which I referred last year, has also been completed and is in production. The new plant incorporates the best features of the processes hitherto operated by the two companies. A joint Company, Boots-Ketjen Ltd., has been formed to handle sales of the product in all parts of the world. Potassium permanganate is an industrial chemical of great importance as an oxidising agent and we hope by these steps to achieve a much enlarged market. We are happy to be associated with our friends in the Ketjen Organisation in this venture.

We have also completed the installation of a new continuous-process soap making plant at our factory in Beeston. New finishing and packaging machinery has also been installed. The sales of our own soap products are increasing rapidly and these developments enable us to meet the continually rising demand and show worthwhile economies in cost while at the same time producing soap of high quality and value.

Distribution

Some 85% of the merchandise sold in our branches reaches them through our own warehouse system. There are warehouses at Nottingham, Beeston, London, Heywood and Airdrie—their function being to receive and check bulk consignments and to break them down into the individual requirement of our 1,290 shops.

It is a massive operation—4,000 tons are handled in a week—and over the years the efficiency of our warehousing has steadily improved. The Emidec computer is playing a significant part and now processes the orders in the Photographic, Surgical, Toilet, Stationery and Fancy Departments.

From the warehouses the merchandise is despatched by our own vans and lorries, by contractors' motor transport and by British Railways. The appalling winter weather imposed a severe strain on our distributive system and the fact that it continued to function so well is greatly to the credit of the drivers and others concerned.

Shop Modernisation

We have completed the modernisation of 67 shops this year including the branches at Lewisham, Hounslow and Marylebone High Street in London, Wheeler Gate in Nottingham, Burton-on-Trent, Newcastle-on-Tyne, Whitefriargate in Hull, Southend, Airdrie, Elgin, Llanelly and Haverfordwest. This is fewer than we had anticipated, due primarily to the weather during the early part of 1963 which brought all outside work to a stop. Other delays have been due to the effect of plans for the redevelopment of towns and cities on many of our properties. In addition we have completed 200 partial modernisations by way of installation of self selection fittings and improved lighting in branches which would otherwise have had to wait some considerable time for complete modernisation. This is in accordance with our general policy of taking steps to keep our operating costs to a minimum while preserving customer service where it is needed.

This year we have another full programme on which we plan to spend £3,400,000. In addition to some 66 projects already in hand, the programme includes a further 67 branches on which a start will be made. We hope as well to refit the sales area of some 50 smaller branches and to carry out a partial refit of another 70. Our most noteworthy modernisations to be completed during the year will be those at Richmond, Beeston, Crewe, Bath and a new medium sized store in the new shopping centre at Wythenshawe, Manchester. We have also acquired large new premises in Guildford which have just been opened for business.

Our policy is to acquire if possible the freehold of our properties, subject to the price being reasonable, and to retain such freeholds as long as we occupy the premises. During the year we have been able to make some useful additions. In suitable instances the freehold may be bought by Boots Pension Fund as an investment and the Fund may also undertake the redevelopment of such properties. This provides an excellent long term investment for the Pension Fund with the assurance of capital appreciation, while at the same time safeguarding the security of tenure of the Company.

The high rents being asked for the renewal of leaseholds is causing concern to all retailers, and particularly the rents asked by developers after a compulsory acquisition. In the interests of good planning a comprehensive instead of piecemeal development of an area is often essential, and in such cases compulsory purchase

by the Local Authority is proper. But frequently a head lease is granted to the developer offering the highest price who recoups his outlay by charging rents which are so high that they impose real hardship. The retailer is thus deprived of his freehold and at best can only get reinstatement on terms dictated by the property company. The use of compulsory powers in this way to facilitate the operations of property development companies at the expense of the trading community is neither fair nor in the long run in the public interest.

Overseas

Exports both to customers overseas and to our own Subsidiary Companies show an increase. Sales of pharmaceuticals and bulk chemicals have been particularly encouraging in a year during which new import restrictions in many overseas territories have made trading extremely difficult. I would like to take this opportunity of thanking our agents who look after our interests in many parts of the world for the help and support they give us.

Sales by our overseas Subsidiary Companies have set up a new record both for turnover and profitability. Our Australian Company, in addition to our Indian one, now achieves sales of over £1 million a year. Sales by all overseas Companies combined show a 12% increase.

During the year the Managing Director and the Head of the International Division visited the New Zealand and Fiji Companies. New Zealand and Fiji are the only places outside the U.K. where we operate a retail as opposed to a wholesale business. The New Zealand Company has moved into its new administrative offices and central warehouse in Wellington. The greatly improved facilities will bring benefits in terms of increased efficiency of operation. The Company has also secured a licence to open a new branch at Invercargill in the South Island and this branch, our ninth in New Zealand, is now open.

Progress on the completion of the Indian Company's Insulin factory has been slower than anticipated, due to the difficulty in getting import licences for essential items of plant and machinery. Nevertheless, we hope to have the plant in operation in the near future.

Regrettably the commercial development of India will be hampered by the penal rates of tax imposed by the recent Indian Budget. This cannot in the long run be anything but bad for India herself and we can only hope that this will be recognised.

Home Wholesale Business

Wholesale sales at home, as already stated, have shown a small increase and this has been achieved despite a big fall in prices of corticosteroids and antibiotics, and against a background of keen competition in chemicals generally. An encouraging feature of home wholesale business has been the continuing rise in sales of our own medical specialities to the chemist trade. Sales in this section of our business have doubled in the last four years.

Staff

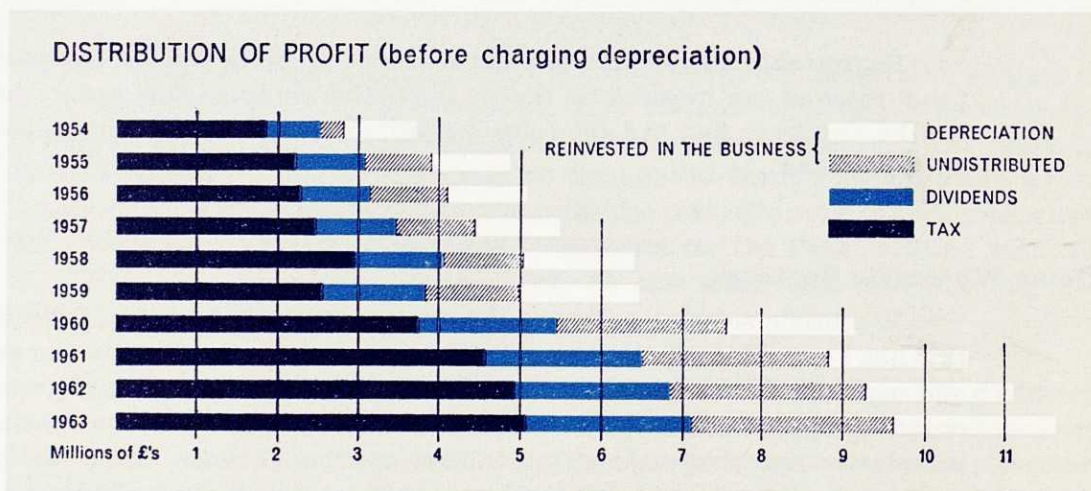
Last year I dealt fairly fully with staff matters and this year I have little to add, except to record our deep appreciation to all the employees of the Company, both at home and overseas, for their devotion and hard work in what has been a particularly difficult year.

The year 1963 is a two-fold anniversary of your Company. First, it is one hundred years ago that Jesse Boot as a boy of thirteen joined his widowed mother in the herbalist shop in Goosegate, Nottingham. Second, it is seventy-five years ago that the present Company with its present name was re-incorporated as the public company as it is known today. Jesse Boot combined with his business skill the role of social reformer and philanthropist, and he was a man whose social thinking was far in advance of the majority of his contemporaries. We today have profited enormously from his work in the field of human relations and will strive always to maintain the example he set, both towards those who work for us today and towards those who, though now pensioners, have helped to build the Company to its present stature.

Conclusion

In addition to our staff I would like to thank on your behalf the Managing Director and the members of the Executive Committee for their skill throughout a year of many problems.

Forecasting the future is always difficult and sometimes dangerous but I feel that the outlook for retail trade should be more promising this year than last. There is likely to be more purchasing power available, we all welcome the Chancellor of the Exchequer's acceptance of the 4% growth rate, the recent income tax reliefs will begin to make themselves felt in July, and welfare benefits are on the increase. These factors should help our sales and with the developments which are taking place on the retail and manufacturing sides your Company is well placed to take advantage of favourable trends in the future.



Consolidated Profit and Loss and Appropriation Account

FOR THE YEAR ENDED 31st MARCH 1963

(Incorporating the results of the United Kingdom Subsidiaries for the year ended 31st March, 1963 and of the Overseas Subsidiaries for the year ended 31st December, 1962)

1962			1963	
£	£		£	£
10,131,712		PROFITS of Boots Pure Drug Company Limited and its Subsidiaries before charging Profit Earning Bonus for Staff		10,540,991
861,196		<i>Deduct</i> Profit Earning Bonus for Staff		895,984
<u>9,270,516</u>		CONSOLIDATED PROFITS BEFORE TAX		9,645,007
		<i>Deduct</i> Provision for Tax on Profits of the year—		
	140,878	Overseas Tax	220,380	
	1,351,761	United Kingdom Profits Tax	1,358,116	
	3,424,828	United Kingdom Income Tax	3,449,355	
	<u>4,917,467</u>		<u>5,027,851</u>	
	12,845	<i>Add</i> Deferred Tax provided	15,697	
<u>4,930,312</u>			<u>5,043,548</u>	
		NET PROFITS OF THE GROUP:		
	873,731	Profits retained by Subsidiaries	781,825	
	3,466,473	Profits of Boots Pure Drug Company Limited	3,819,634	
<u>4,340,204</u>			<u>4,601,459</u>	
		DEALT WITH AS FOLLOWS:		
		Dividends (<i>less</i> tax) for the year—		
	59,259	On Preference and Preferred Ordinary Shares (already paid) ..	59,259	
		On Ordinary Shares—		
	627,200	Interim of 4% already paid	627,200	
	1,254,400	Final Dividend proposed of 9% making a total of 13% ..	1,411,200	
<u>1,940,859</u>			<u>2,097,659</u>	
		Profits retained in the Group and included in Revenue Reserves—		
	873,731	Subsidiaries	781,825	
	1,525,614	Boots Pure Drug Company Limited	1,721,975	
<u>2,399,345</u>			<u>2,503,800</u>	
<u>£4,340,204</u>			<u>£4,601,459</u>	

The notes on pages 16 and 17 form part of the Accounts

1962		SHAREHOLDERS' FUNDS AND LIABILITIES		1963	
£	£			£	£
	1,400,000	Capital Authorised:			
	38,600,000	Preference and Preferred Ordinary Shares		1,400,000	
<u>40,000,000</u>	<u>38,600,000</u>	Ordinary Shares of 5/- each		<u>38,600,000</u>	<u>40,000,000</u>
		Capital Issued and Fully Paid:			
	10,000	A Preference Shares, £1 each 7%		10,000	
	25,000	B Preference Shares, £100 each 6%		25,000	
	100,000	C Preference Shares, £1 each 6%		100,000	
	120,000	A Preferred Ordinary Shares, £1 each 7%		120,000	
	245,000	B Preferred Ordinary Shares, £1 each 7%		245,000	
	400,000	C Preferred Ordinary Shares, £1 each 7%		400,000	
	500,000	D Preferred Ordinary Shares, £1 each 7%		500,000	
	25,600,000	Ordinary Shares, 5/- each		<u>25,600,000</u>	
27,000,000	<u>25,600,000</u>				27,000,000
		Capital Reserve			747,394
720,549					
		Revenue Reserve			10,321,716
8,599,741					<u>10,321,716</u>
<u>36,320,290</u>					38,069,110
		6% Loan Stock 1978-83			2,065,866
2,065,866					
		Provisions:			
	600,000	Pensions		600,000	
	2,780,000	Income Tax (Schedule D) for the Fiscal Year to 5th April, 1964		3,100,000	
	382,642	Deferred Tax in respect of Capital Expenditure		369,251	
3,762,642	<u>382,642</u>			<u>369,251</u>	4,069,251
		Current Liabilities:			
	8,977,437	Trade Creditors, Apportionments and Tax		9,823,588	
	5,200	Amounts due to Subsidiaries		5,200	
	1,254,400	Final Dividend recommended on Ordinary Shares		1,411,200	
10,237,037	<u>1,254,400</u>			<u>1,411,200</u>	11,239,988
<u>£52,385,835</u>					<u>£55,444,215</u>

1962	
£	£
	13,912,033
	1,221,817
	10,737,704
25,871,554	<u> </u>
	1,241,797
	231,761
	6,657,026
8,130,584	<u> </u>
17,740,970	

	10,347,720
	1,012,696
	5,100
11,365,516	<u> </u>

	9,754,700
	8,185,463
	3,421,411
	1,917,775
23,279,349	<u> </u>

£52,385,835

ASSETS

Fixed Assets:

Properties as independently valued at 31st March, 1958,
or at Cost:

Freeholds	14,112,821
Leaseholds	1,224,301
Fittings and Plant at Cost	11,799,063

 27,136,185

Less Provision for Depreciation and Amortisation:

Freeholds	1,564,567
Leaseholds	255,852
Fittings and Plant	7,231,884

 9,052,303

 18,083,882

Investments:

Subsidiaries:

Ordinary Shares at par, <i>less</i> provision	10,363,512
Loans, <i>less</i> provision	914,397
Trade Investments at Cost, <i>less</i> amounts written off	100

 11,278,009

Current Assets:

Amounts due by Subsidiaries	11,468,861
Stock-in-Trade	8,416,898
Trade Debtors and Apportionments, <i>less</i> provision	3,488,871
Cash at Bankers and in hand	2,707,694

 26,082,324

W. R. NORMAN
F. A. COCKFIELD

Directors

£55,444,215

1962		SHAREHOLDERS' FUNDS AND LIABILITIES		1963	
£	£			£	£
	1,400,000	Issued and Fully Paid Capital of Boots Pure Drug Company Limited:			
	25,600,000	Preference and Preferred Ordinary Shares	1,400,000		
27,000,000	<u>25,600,000</u>	Ordinary Shares	25,600,000	27,000,000	
1,890,320		Capital Reserves		2,073,089	
15,303,947		Revenue Reserves		17,783,649	
<u>44,194,267</u>				<u>46,856,738</u>	
2,065,866		6% Loan Stock 1978-83		2,065,866	
		Provisions:			
	1,020,000	Pensions	1,020,000		
	3,495,000	Income Tax (Schedule D) for the Fiscal Year to 5th April, 1964	3,526,000		
	692,782	Deferred Tax in respect of Capital Expenditure	708,479		
5,207,782	<u>692,782</u>			<u>5,254,479</u>	
		Current Liabilities:			
	11,080,961	Trade Creditors, Apportionments and Tax	11,989,663		
	54,718	Amount due to Bankers	128,250		
	1,254,400	Final Dividend on Boots Pure Drug Company Limited Ordinary Shares	1,411,200		
12,390,079	<u>1,254,400</u>			<u>13,529,113</u>	
<u>£63,857,994</u>				<u>£67,706,196</u>	

BALANCE SHEET

(United Kingdom Companies as at 31st March, 1963.
Overseas Subsidiaries as at 31st December, 1962)

1962		ASSETS		1963	
£	£			£	£
		Fixed Assets:			
		Properties as independently valued at 31st March, 1958, or at Cost:			
	23,475,734	Freeholds	25,041,496		
	7,739,548	Leaseholds	8,103,074		
	20,065,232	Fittings and Plant at Cost	22,535,899		
51,280,514	<u> </u>			<u> </u>	55,680,469
		<i>Less Provision for Depreciation and Amortisation:</i>			
	1,904,966	Freeholds	2,410,261		
	2,021,695	Leaseholds	2,184,777		
	10,127,452	Fittings and Plant	11,071,810		
14,054,113	<u> </u>			<u> </u>	15,666,848
37,226,401					<u> </u>
					40,013,621
		Investments:			
		Trade Investments at Cost, <i>less</i> amounts written off ..			9,429
14,115					
		Differences arising on consolidation through accounting years of Holding Company and Overseas Subsidiaries not ending on the same date			21,907
13,311					
		Current Assets:			
	19,090,492	Stock-in-Trade	19,382,265		
	5,190,977	Trade Debtors and Apportionments, <i>less</i> provision ..	5,071,889		
	2,322,698	Cash at Bankers and in hand	3,207,085		
26,604,167	<u> </u>			<u> </u>	27,661,239
		W. R. NORMAN	|	Directors	
		F. A. COCKFIELD	|		
<u> </u>	<u> </u>				<u> </u>
£63,857,994					£67,706,196

The notes on pages 16 and 17 form part of the Accounts

NOTES ON THE ACCOUNTS

These notes form part of the Accounts

1. (a) The Group Profits have been arrived at after taking credit for Income from Trade Investments £1,167 (£1,364) and after charging the following expenses:

1962			1963	
£	£		£	£
	677,422	Depreciation of Properties	712,613	
	1,161,981	Depreciation of Fittings and Plant	1,281,526	
1,839,403	—————		—————	1,994,139
123,952		Loan Stock Interest		123,952
11,138		Remuneration of Auditors		11,569
		Companies' Payments to Pension Funds:		
692,407		Ordinary Contributions		732,034
130,284		Annual Payments for past service		111,904

- (b) The emoluments of the Directors of Boots Pure Drug Company Limited from all members of the Group are comprised of:

10,500	Directors' Fees	10,500
181,590	Other emoluments, including participation in profits..	191,702
16,000	Pensions and Superannuation Gratuities paid to Past Directors	1,000
—————		—————
£208,090		£203,202

2. Investment Allowances have reduced the Tax charge by £368,000 (last year £276,000).
3. Outstanding commitments in respect of capital expenditure are estimated at £388,000 for Boots Pure Drug Company Limited and £1,510,000 for the Subsidiaries, making a total of £1,898,000 for the Group.
4. The currency values of the assets and liabilities of the Overseas Subsidiaries have been converted into sterling at the approximate rates of exchange ruling at 31st March, 1963.
5. The accounting periods of the Overseas Subsidiaries have not been synchronised with that of Boots Pure Drug Company Limited as this would delay presentation of the Group's annual accounts.
6. The overdraft of an Overseas Subsidiary amounting to £128,250 at 31st December, 1962, was secured on the stock-in-trade of the Subsidiary.

7. Movements of the Reserves since 31st March, 1962, are as follows:

	Boots Pure Drug Co. Ltd. £	Subsidiaries £	Consolidated £
REVENUE RESERVES:			
At 31st March, 1962	8,599,741	6,704,206	15,303,947
<i>Add:</i>			
Undistributed profits of the year ended 31st March, 1963	1,721,975	781,825	2,503,800
	<u>10,321,716</u>	<u>7,486,031</u>	<u>17,807,747</u>
<i>Deduct:</i>			
Reserves capitalised by an Overseas Subsidiary ..		14,023	14,023
Goodwill written off by Subsidiaries		10,075	10,075
		<u>24,098</u>	<u>24,098</u>
At 31st March, 1963	<u>£10,321,716</u>	<u>£7,461,933</u>	<u>£17,783,649</u>
 CAPITAL RESERVES:			
At 31st March, 1962	720,549	1,169,771	1,890,320
<i>Add:</i>			
Surplus on sales of properties	10,985	155,924	166,909
Profit on sale of a Trade Investment	1,837		1,837
Scrap issue of Shares by an Overseas Subsidiary ..	14,023		14,023
		<u>160,851</u>	<u>160,851</u>
At 31st March, 1963	<u>£747,394</u>	<u>£1,325,695</u>	<u>£2,073,089</u>

REPORT OF THE AUDITORS

TO THE MEMBERS OF BOOTS PURE DRUG COMPANY LIMITED

We have audited the foregoing Balance Sheet and have obtained all the information and explanations which we considered necessary. Proper books of account have been kept and proper returns received from branches and the Balance Sheet is in agreement therewith.

We have examined the annexed Consolidated Balance Sheet and Consolidated Profit and Loss and Appropriation Account. The accounts of certain Overseas Subsidiaries have been audited by other firms.

In our opinion the Balance Sheet and Consolidated Accounts, together with the Notes on the Accounts, comply with the requirements of the Companies Act, 1948, and give respectively a true and fair view of the state of the Company's affairs at 31st March, 1963, and a true and fair view of the state of affairs and of the profit of the Group.

BIRMINGHAM & LONDON,
10th June, 1963.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants.

This table expresses in figures the progress made by Boots at home and overseas in the last ten years

The figures of sales represent sales to persons outside the Group: sales by Overseas Subsidiaries are included but sales by the Home Companies to the Overseas Companies are excluded.

To give a true comparison, the profit figures have been adjusted for all years to the basis now employed. Thus, Loan Stock interest has been deducted for the years 1959 onwards, while for earlier years the dividends on the Preference Shares of the Retail Subsidiaries (now replaced by the Loan Stock) have been deducted. Similarly, freehold depreciation has been deducted for all years.

No deduction has been made for Loan Stock or for provisions in computing capital employed. Similarly, in arriving at profit as a percentage of capital employed, Loan Stock interest has not been deducted nor (for earlier years) the corresponding dividends on the Preference Shares of the Retail Subsidiaries. The figures for 1958 and subsequent years reflect the results of the property revaluation, which revealed a surplus of £13,425,018.

The nominal ordinary capital reflects the scrip issues in the years to 31st March, 1956 (one for one), 1959 (one for four) and 1961 (one for one).

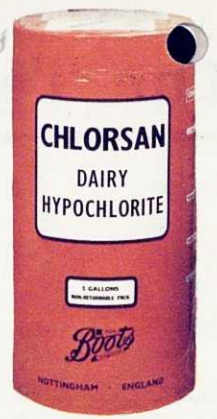
World Sales .. .. .	..	..	..	..	..
Profits before Tax .. .. .	..	..	..	..	..
Profits after Tax .. .. .	..	..	..	..	..
Net Dividends	Preference .. .. .	..	..	..	..
	Ordinary .. .. .	..	..	..	..
Net Undistributed Profits	..	..	..	..	..
Depreciation charged (including Freehold Depreciation) .. .. .	..	..	..	..	..
Capital Expenditure (Gross) .. .. .	..	..	..	..	..
Capital Employed .. .. .	..	..	..	..	..
Profits as % of Capital employed	..	..	..	..	..
Ordinary Capital .. .. .	..	..	..	..	..
Ordinary Dividends % .. .. .	..	..	..	..	..
Equivalent % allowing for Scrip Issues	..	..	..	..	..
Number of Staff in United Kingdom (full time equivalents)	..	..	..	..	..
Amount of Profit Earning Bonus	..	..	..	..	..
Number of Branches	..	..	..	..	..

The Ten Year Record

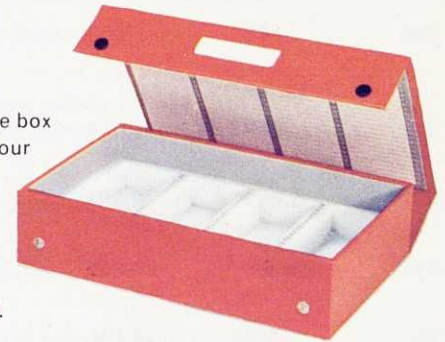
1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
56,115	60,837	67,848	73,692	80,302	83,858	90,615	99,690	106,624	111,117
2,824	3,909	4,079	4,433	5,057	4,998	7,561	8,826	9,271	9,645
1,003	1,711	1,820	1,841 136*	2,095	2,442	3,826	4,263	4,340	4,601
53	53	56	56	56	56	59	59	59	59
634	797	824	942	1,060	1,226	1,646	1,882	1,882	2,038
296	843	928	962	968	1,150	2,118	2,322	2,399	2,504
911	959	1,014	1,086	1,369	1,468	1,593	1,760	1,839	1,994
1,291	1,697	2,781	2,439	2,454	2,759	3,047	3,410	4,373	5,110
23,313	25,260	26,352	27,819	41,900	42,944	46,220	48,832	51,468	54,177
12.6%	16%	15.9%	16.4%	12.4%	11.9%	16.6%	18.3%	18.3%	18%
5,120	5,120	10,240	10,240	10,240	12,800	12,800	25,600	25,600	25,600
22.5%	27.5%	14%	16%	18%	16%	21%	12%	12%	13%
4.5%	5.5%	5.6%	6.4%	7.2%	8%	10.5%	12%	12%	13%
34,712	36,045	37,016	37,154	39,039	39,345	39,344	39,606	40,181	39,936
	222	244	297	415	464	702	820	861	896
1,313	1,313	1,320	1,318	1,310	1,313	1,307	1,305	1,298	1,290

*Profits attributable to previous years

New Lines introduced in 1962-63 . . .



The lightweight slide storage box designed and produced by our own Printing Department was one of the eleven awards for outstanding design chosen by the Council of Industrial Design in 1963.



. . . and some other current best sellers



Modernisation of the retail branches continues and here are some 'completions' for 1962-63



Piccadilly Circus Day-and-Night branch. Pending the possible replanning of the whole of the Piccadilly Circus area we have carried out a refit on the interior of this, the best-known branch of Boots.

Shoppers in Hounslow can now enjoy the amenities of this new branch.

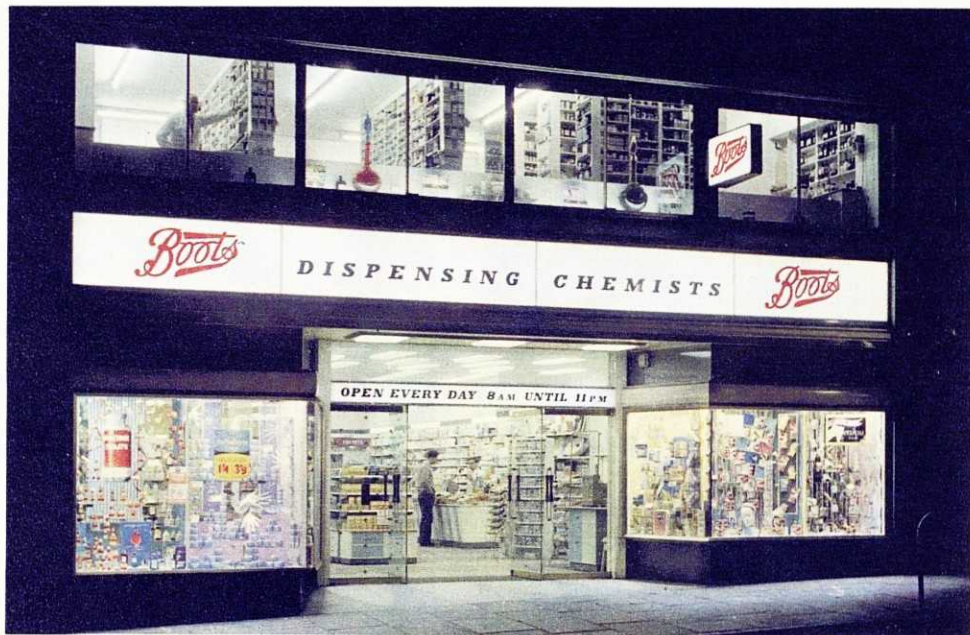


A wide range of goods is the hallmark of a Boots "Big Shop"; here is a corner of the Fancy Goods Department at Bury.

The modern Boots shop is becoming an increasingly distinctive sight throughout the country.



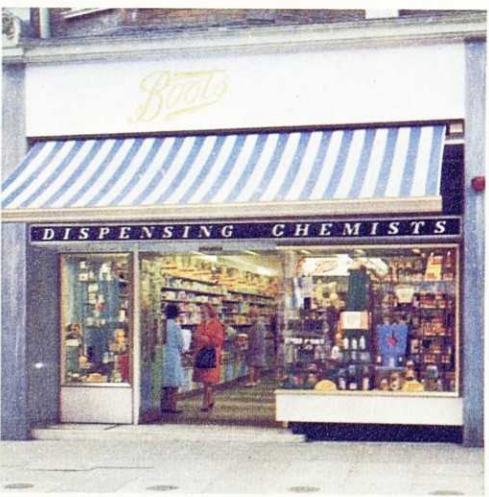
Airdrie, the home of Boots second pharmaceutical factory, now has a modern shop.



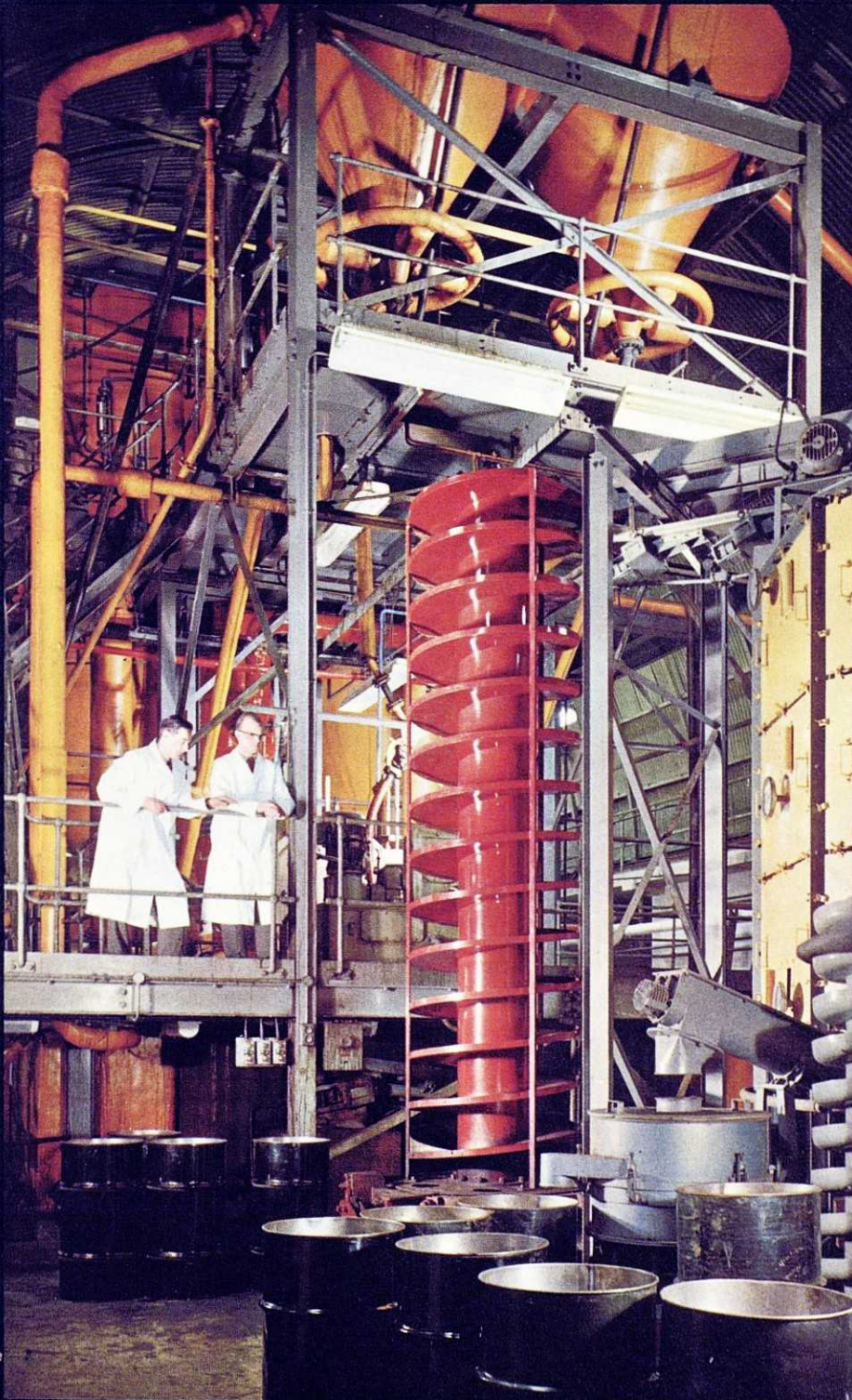
On 'home' territory, the Wheeler Gate, Nottingham, branch has been rebuilt and enlarged.

—another refit.
Marylebone High Street, London

This is an artist's impression of Queen Street, Cardiff, the largest of the 75 Welsh branches, which is in course of reconstruction at a cost of £450,000



Both in chemical and pharmaceutical manufacture extensive programmes of modernisation are under way



Above: A works planning session in the administrative block of the Chemical Department.

Left: A section of the Boots/Ketjen potassium permanganate plant referred to in the Chairman's Statement.

Below: This new continuous-process soap making plant by De Laval is the first complete installation of its kind in this country.





BOOTS PURE DRUG COMPANY LIMITED